

Local Government Energy and Mineral Impact Assistance Program

Colorado Department of Local Affairs



To assist local governments with the costs of mineral development, the legislature has, by statute, placed two funds in the Department of Local Affairs:

- **39-29-110: Local Government Severance Tax Fund** – which receives 50% of the state severance tax revenues.
- **34-63-102(5) (a): Local Government Mineral Impact Fund** – which receives about 25% of the Colorado receipts from mineral lease revenues on federal lands.

The department combines these two statutory programs for administrative efficiency and applicant convenience into the Local Government Energy and Mineral Impact Assistance Program.

This presentation will discuss various aspects in the following sections:

- Revenues from the State Severance Tax
- Revenues from State Receipts of Federal Mineral Lease Revenues
- Distributions under the Local Government Energy and Mineral Impact Assistance Program
- Socio Economic Impact Studies

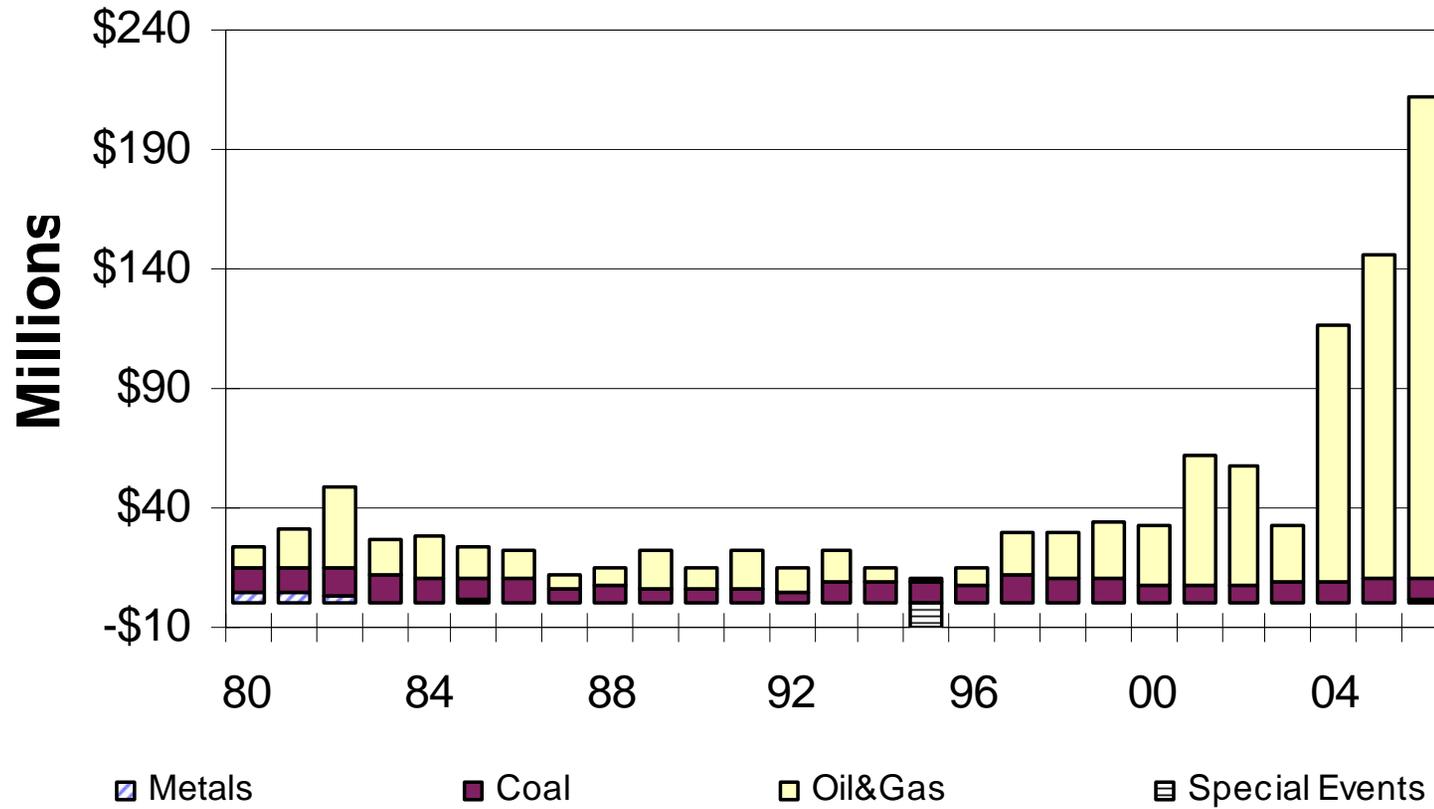
State Severance Tax

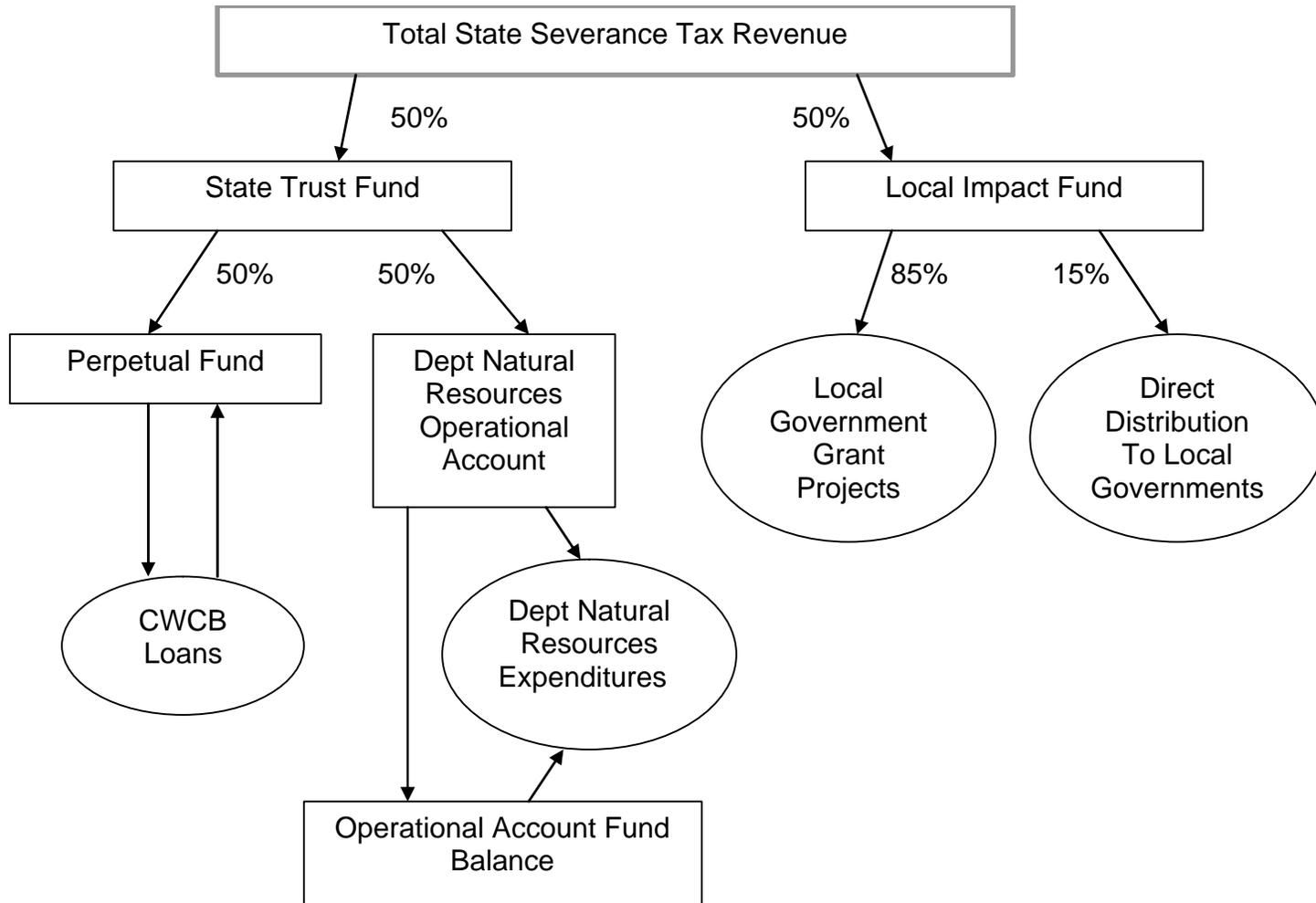
The general purpose of the state severance tax is specified in statute:

39-29-101. Legislative declaration.

- (1) The general assembly hereby finds and declares that, when nonrenewable natural resources are removed from the earth, the value of such resources to the state of Colorado is irretrievably lost. Therefore, it is the intent of the general assembly to recapture a portion of this lost wealth through a special excise tax, in addition to other business taxes, on the nonrenewable natural resources removed from the soil of this state and sold for private profit.
- (2) The general assembly further finds and declares that the severance of nonrenewable resources provides a potential source of revenue to the state and its political subdivisions. Therefore, it is the intent of the general assembly to impose a tax on the process of severance in addition to other business taxes.
- (3) It additionally is the intent of the general assembly that a portion of the revenues derived from such a severance tax be used by the state for public purposes, that a portion be held by the state in a perpetual trust fund, and that a portion be made available to local governments to offset the impact created by nonrenewable resource development.
- **Source: L. 77:** Entire article added, p. 1844, § 1, effective January 1, 1978.

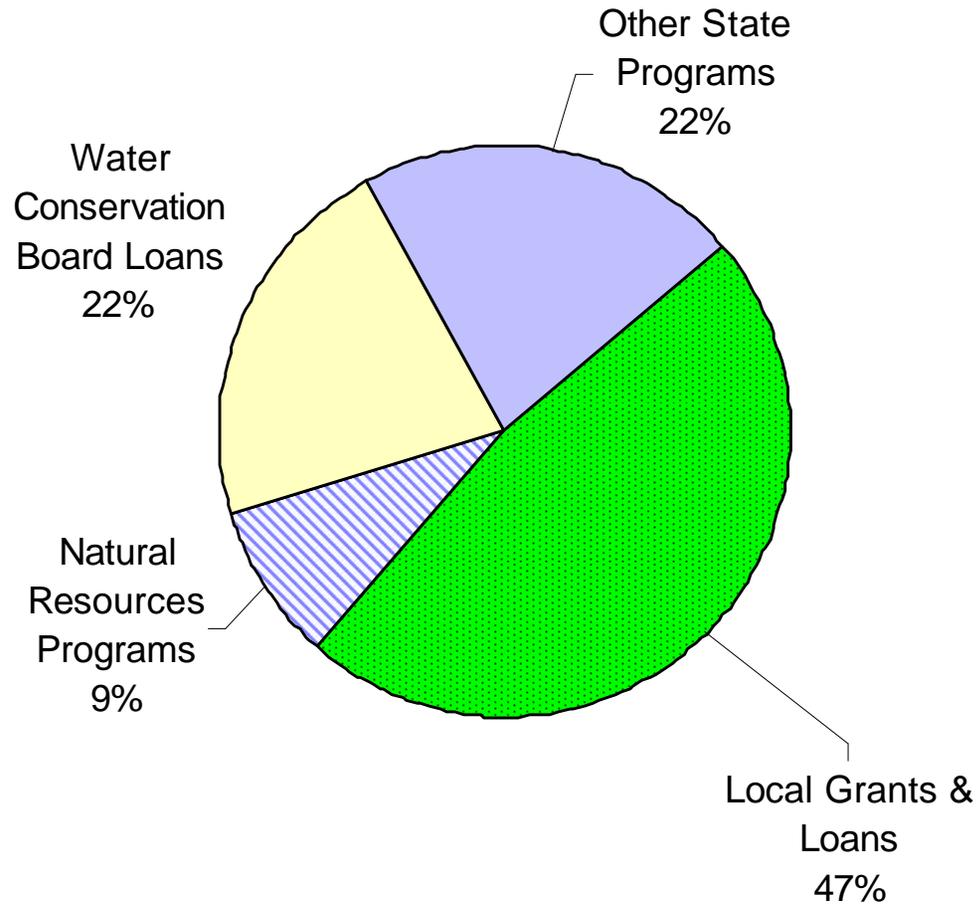
State Total Severance Tax Revenue by Mineral Type





Hb07-1139 increases the Local Impact Fund Direct Distribution percent to 30% for the August, 2008 distributions to local governments.

Expenditure of State Severance Tax -2006



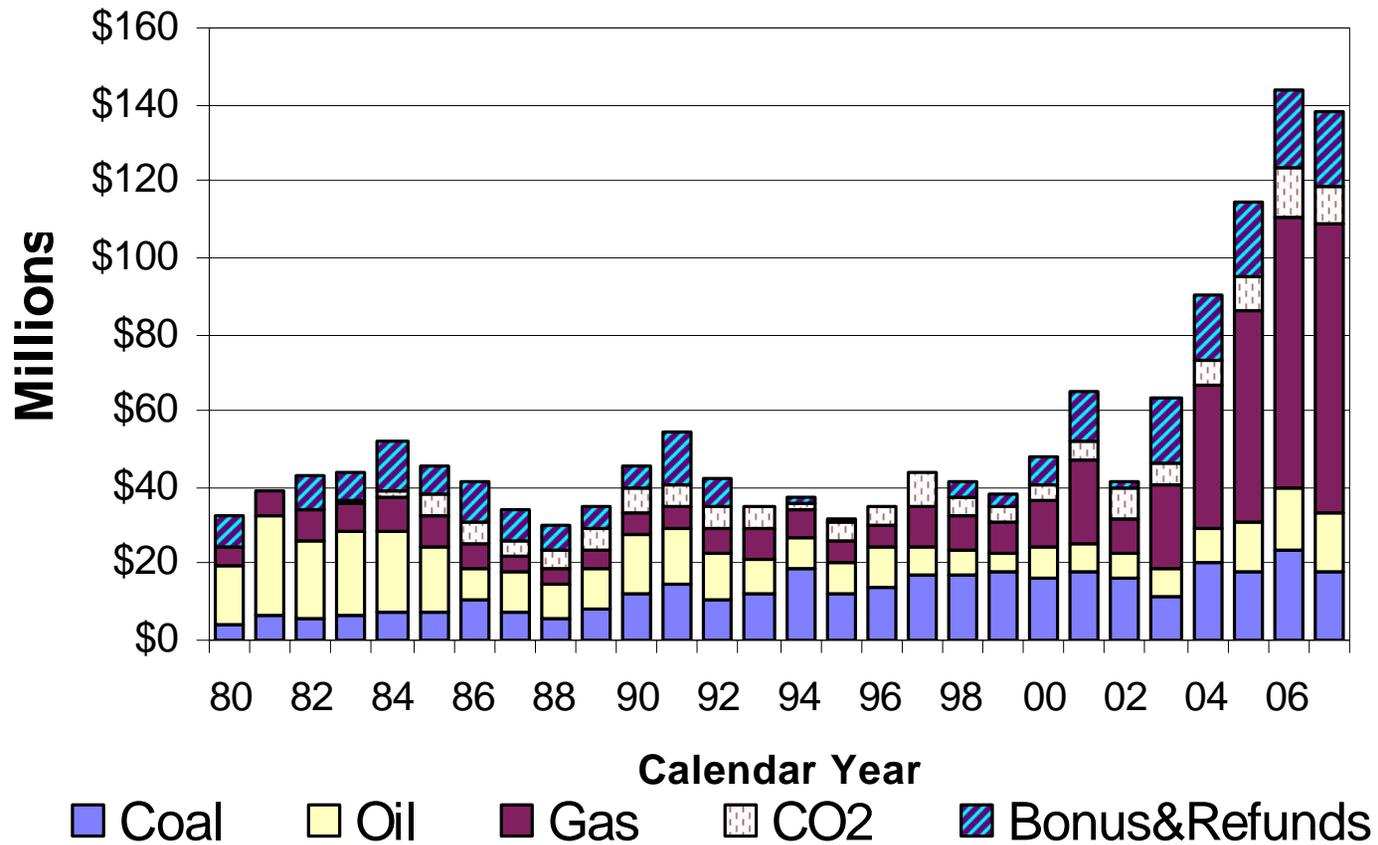
Other state programs this year include the LEAP program, Kansas Water settlement, and Endangered Species Fund

Federal Mineral Lease



Animas River Bridge, La Plata County

Total Federal Mineral Lease Revenue to Colorado by Mineral Type



FEDERAL MINERAL LEASING ACT

Sends revenue from the Naval Oil Shale Reserve to a special set aside in the US. Treasury

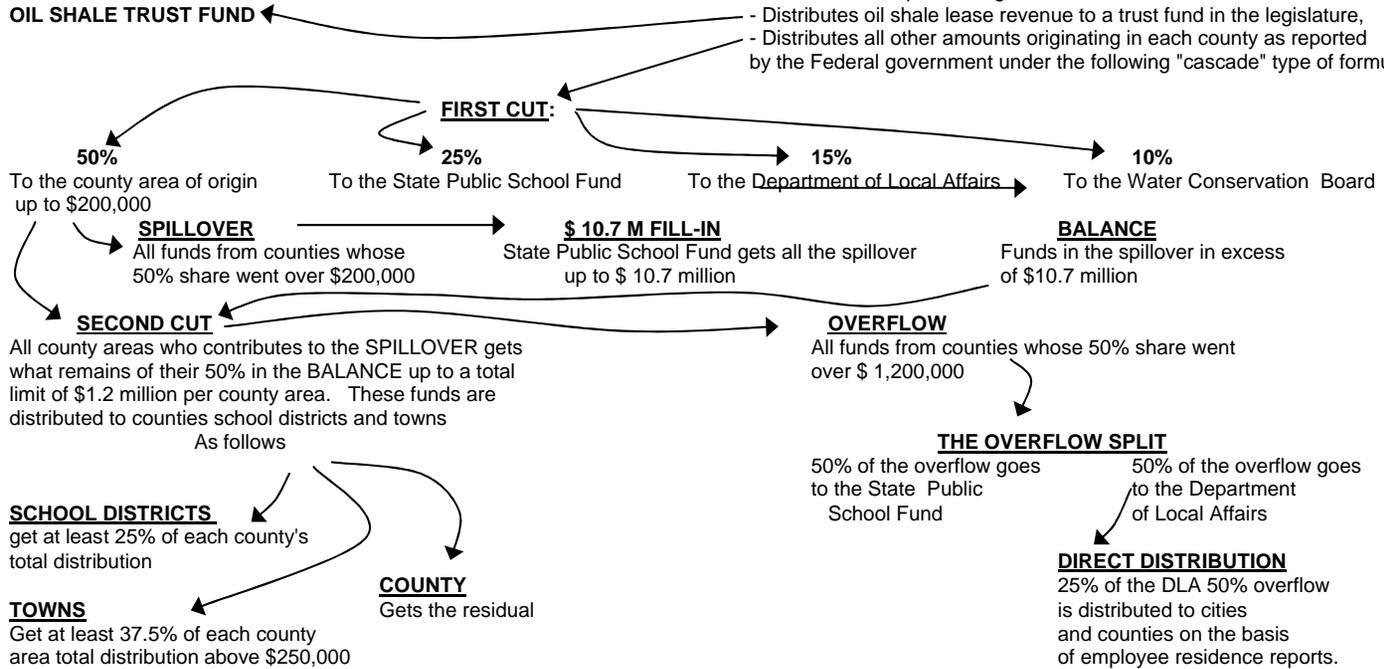
Returns 50% of rentals and royalties from federal lands in the state of origin.

- Directs that such funds be used by the states for planning, maintenance of public facilities and services in areas of the state Socially and economically impacted by mineral development.

COLORADO MINERAL LEASING FUND

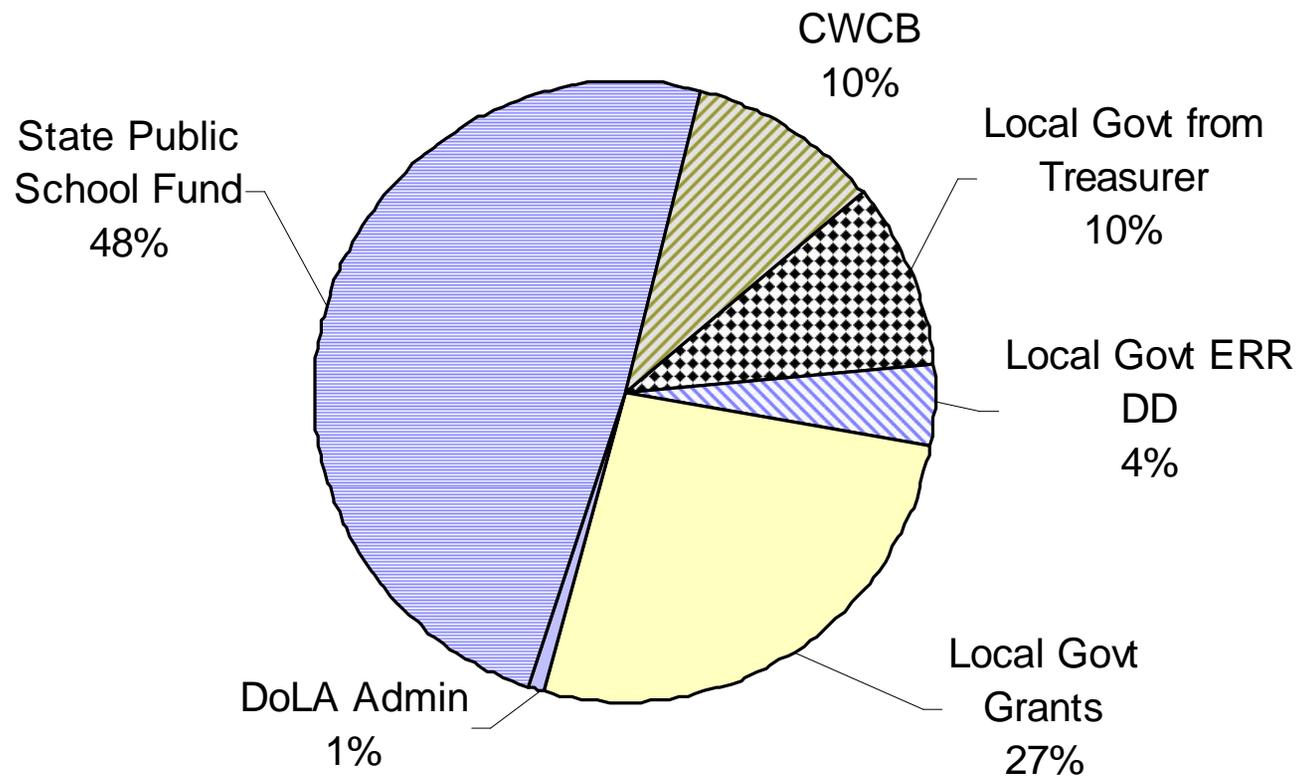
-Colorado statute (CRS 34-63-102) directs that in the distribution of these funds priority shall be given to school districts and political sub-divisions socially or economically impacted by the development or construction and processing of the federal minerals.

- Distributes oil shale lease revenue to a trust fund in the legislature,
- Distributes all other amounts originating in each county as reported by the Federal government under the following "cascade" type of formula:



Calendar Year->	2002	2003	2004	2005	2006
Total Receipts \$M	\$41.8	\$62.8	\$89.9	\$114.8	\$144.1
Counties	\$4.0	\$5.2	\$5.6	\$6.2	\$6.2
School Districts	\$2.1	\$3.0	\$3.4	\$3.7	\$3.8
Towns	\$2.0	\$2.9	\$3.4	\$3.8	\$4.0
CWCB	\$4.2	\$6.3	\$9.0	\$11.5	\$14.4
State Public School Fund	\$22.2	\$31.2	\$44.1	\$55.9	\$70.4
DOLA Grants	\$7.1	\$13.0	\$21.7	\$29.6	\$39.4
DOLA Direct Distribution:	\$0.3	\$1.2	\$2.7	\$4.1	\$5.9

Distribution of State Share of Federal Mineral Lease Revenue - 2006



General Statutory Direction for the Local Government Grants and Loans Program

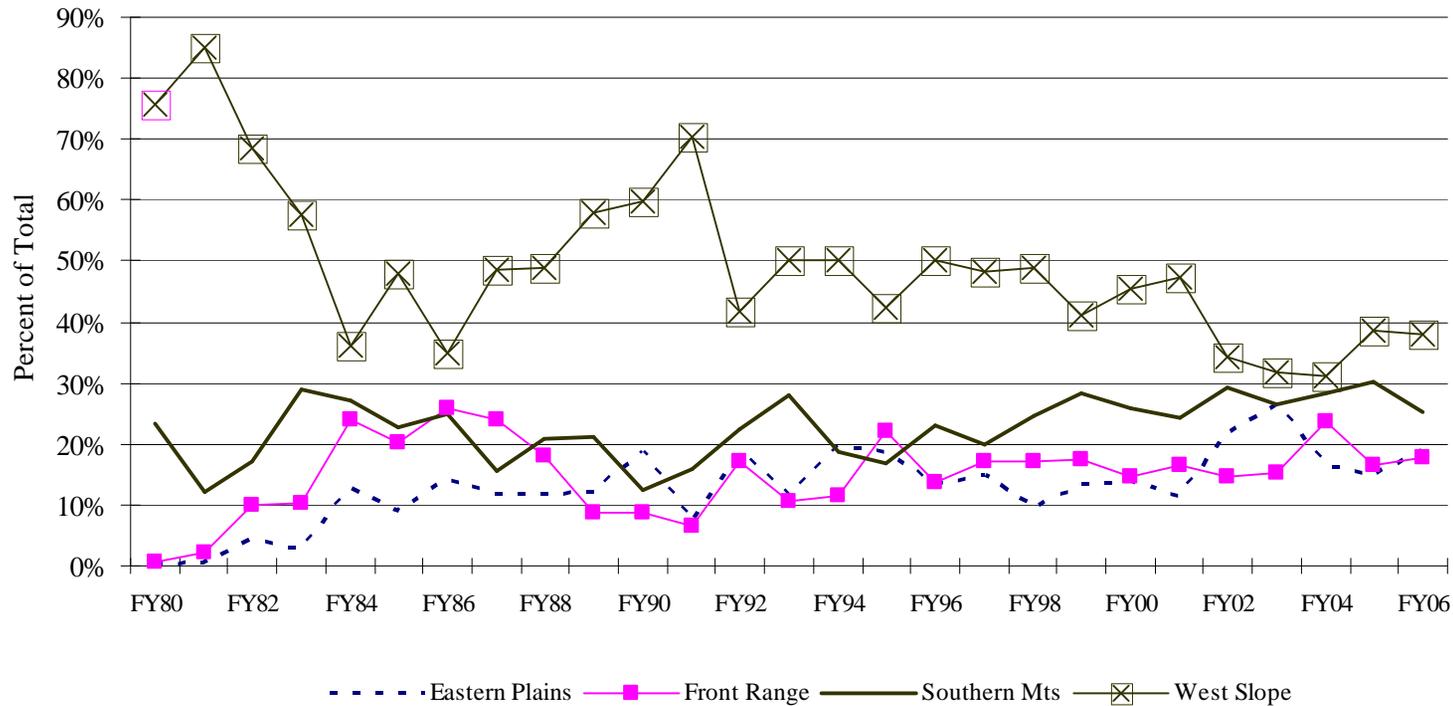
C.R.S. 39-29-110(1)(b)(I). . . funds shall be distributed to those political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to taxation under this article and used for the planning, construction, and maintenance of public facilities and for the provision of public services. . .

Program guidelines, procedures and reports can be found at:

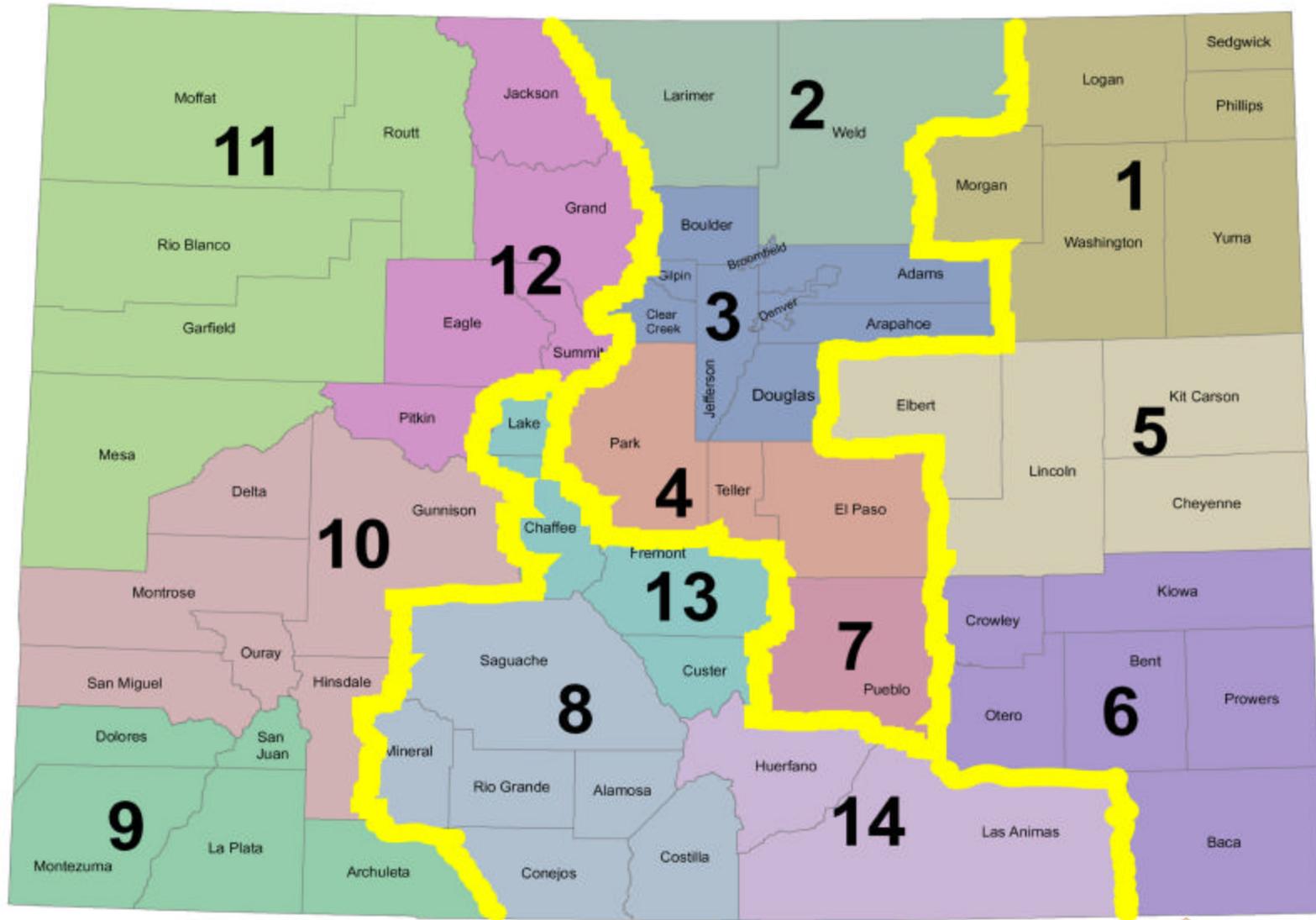
<http://dola.colorado.gov/dlg/fa/eiaf/index.html>

Over the years all parts of the state have become involved with the Local Government Impact Assistance program.

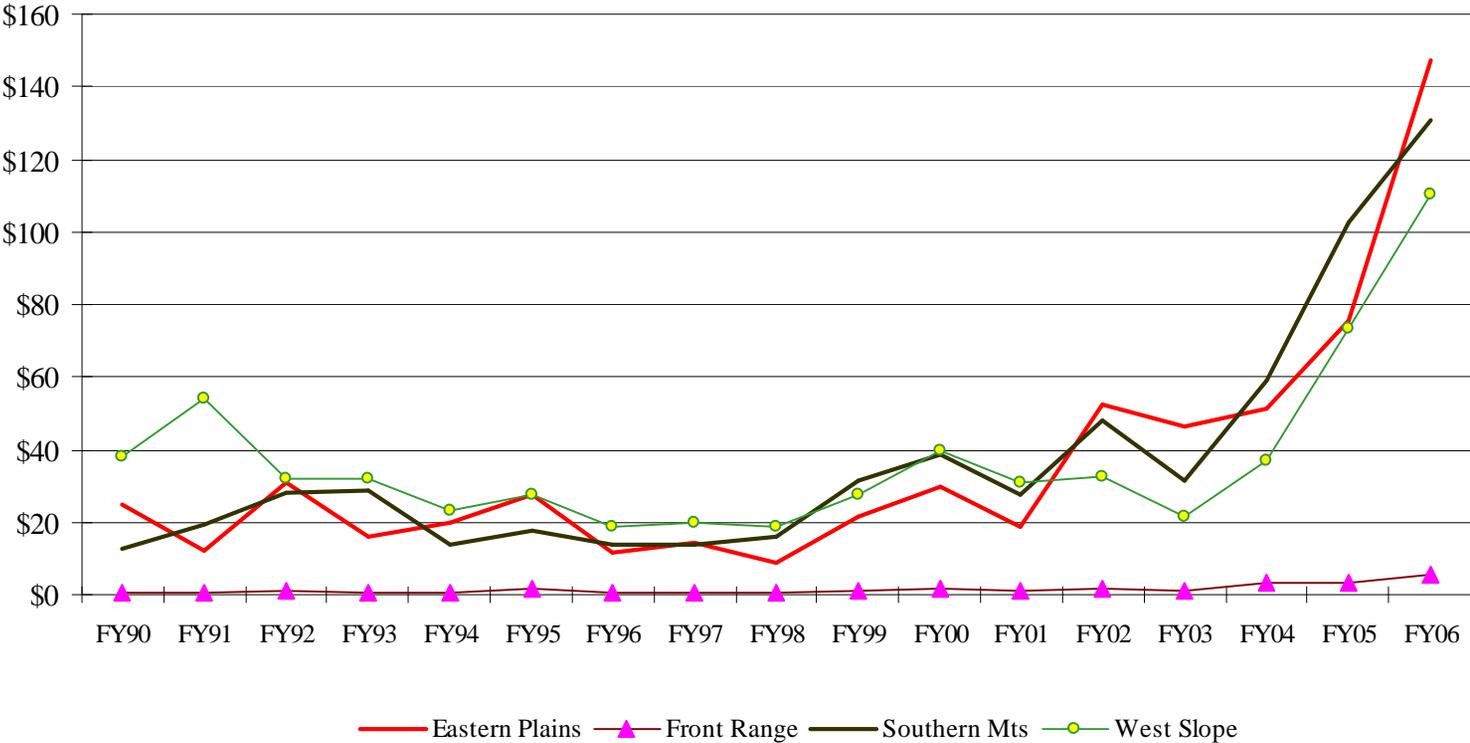
IMPACT Grants and Loans by Region



COLORADO PLANNING AND MANAGEMENT REGIONS

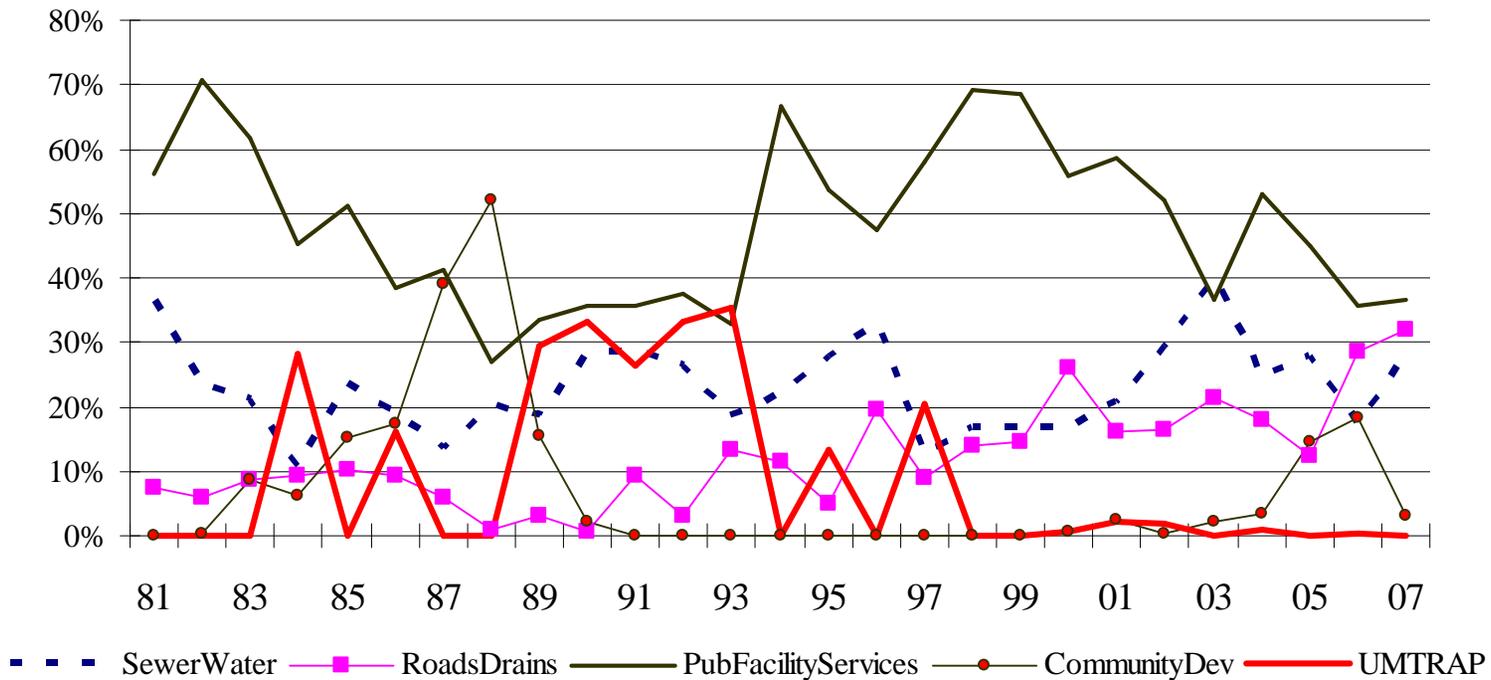


IMPACT Grants and Loans Per Capita by Region

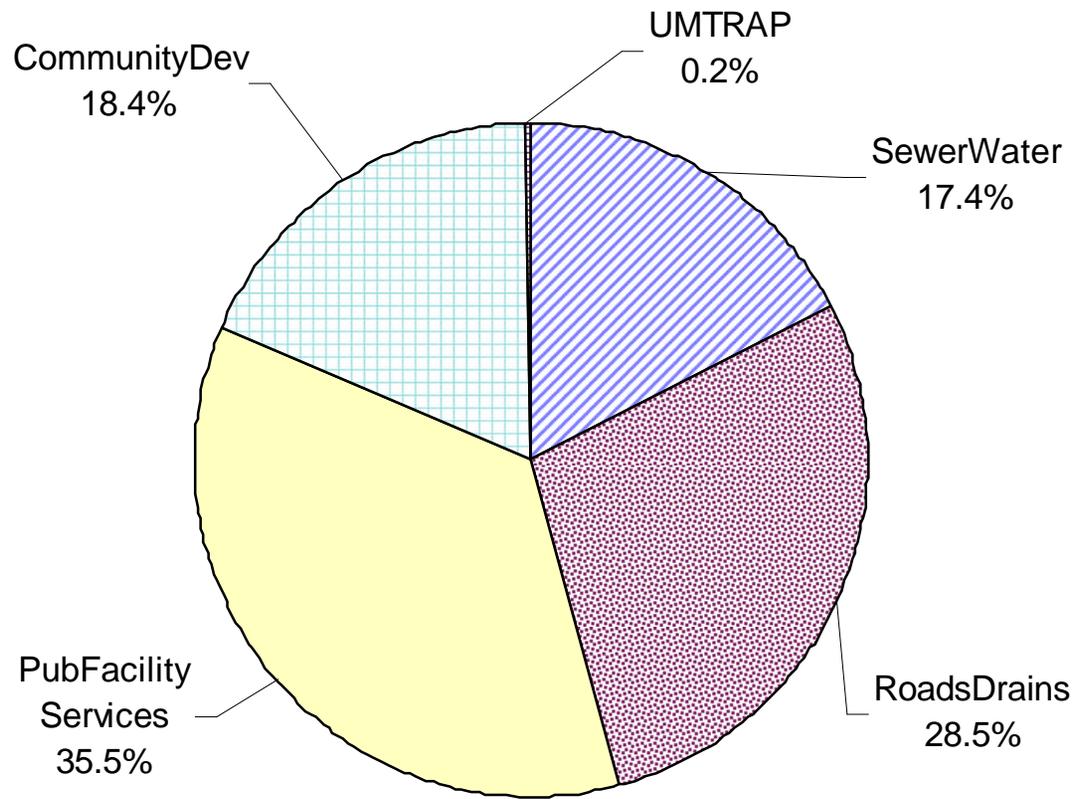


Over the years the Local Government grants program has responded to significant changes in the kinds of applications we receive.

IMPACT Grants and Loan Awards by Type



TOTAL Impact Program Awards 2006



The Pipeline of Local Government Projects

The Pipeline of Energy and Mineral Impact Commitments and Cash Flow									
Year->	1	2	3	4	5	6	7	Not	
Local Government Projects in Development	\$500								
Project Funding Applications to Other Funds	\$300	\$200							
Impact Applications Packaging in Process		\$100							
Applications Reviewed and Offers Made		\$20	\$75					\$5	Applications Not awarded
Offers Contracted		\$17	\$66	\$10	\$1	\$0		\$1	Awarded Not Contracted
Contracts Paid Out		\$3	\$23	\$42	\$19	\$6	\$1	\$1	Contracted Not Paid



Mesa Point Communications Tower, Grand Junction

Socio-economic Impact Studies

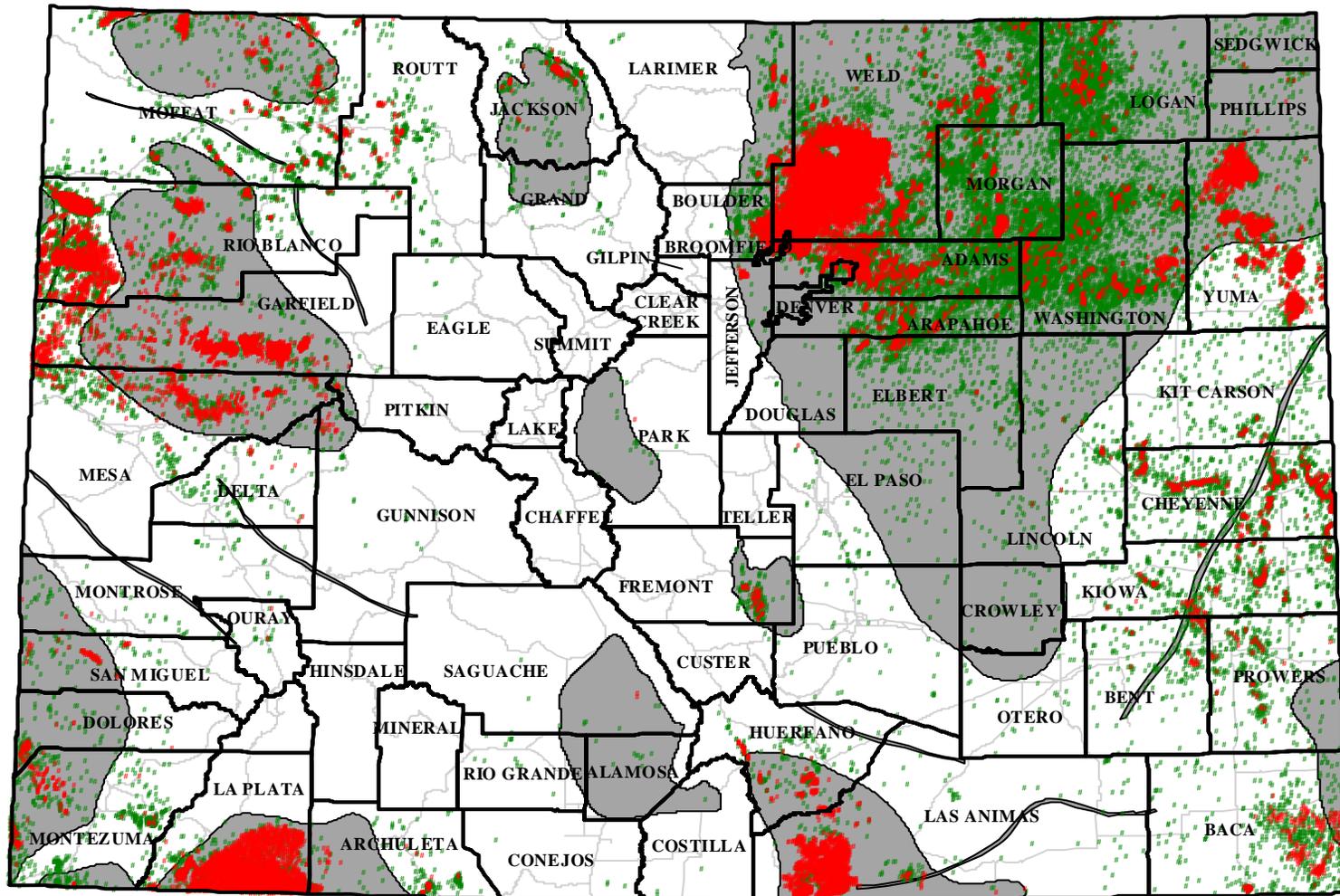
As the following map shows, there are mineral and energy development possibilities throughout the state of Colorado.

There are a host of mineral and energy development socio economic impact studies underway or recently completed in Colorado. Unfortunately, they each take a different approach.

We are collecting these materials for the Workgroup and will work with them to provide the committee with a presentation at your July 23 meeting on a standardized impact assessment methodology.

The current list of projects is below. This list and web pointers to web resources on each can be found on our web site at:

http://dola.colorado.gov/dlg/fa/eiaf/eiaf_projects.html



OIL & GAS WELLS OF COLORADO

SOURCE COGCC

Energy and Mineral Project web sites:

BLM Area Resource Management Plans with natural gas drilling

- * Little Snake (Craig) www.co.blm.gov/lra/rmp/
- * Kremmling www.blm.gov/rmp/co/kfo-gsfo/
- * Glenwood Springs www.blm.gov/rmp/co/kfo-gsfo/
- * White River (Meeker)
www.co.blm.gov/nepa/rmpdocs/wrfodocs/wrformp.htm
- * Roan Plateau www.blm.gov/rmp/co/roanplateau/
- * Archuleta County HD Mountain Coalbed EIS 8/2006
- * Wyoming Rawlins Office – Atlantic Rim ROD
http://www.blm.gov/wy/st/en/info/news_room/2007/05/21rfo-atlanticrim.html
- * Utah Vernal Office http://www.ut.blm.gov/vernalrmpguide/og_leasing.htm

Oil Shale

- * Oil Shale Research Development and Demonstration leases
www.co.blm.gov/wrra/WRFO_Oil_shale.htm
- * BLM Oil Shale Leasing Programmatic EIS Information Center
www.ostseis.anl.gov/
- * Shell Mahogany www.co.blm.gov/wrra/documents/co1102006117eat.pdf
- * Chevron www.co.blm.gov/wrra/WRFO_ChevronOS_ea.htm
- * Oil Shale Exploration Corp (OSEC) in Utah just west of Rangely, CO
<http://www.blm.gov/utah/vernal/oilshaledraft.htm>
<http://www.oilshaleexplorationcompany.com/enviro.asp>
- * EGL Oil Shale www.co.blm.gov/wrra/wrfo_os_eas.htm
www.egloilshale.com/
- Utah Oil Shale Projects <http://www.blm.gov/utah/vernal/oilshaledraft.htm>

Energy and Mineral Project web sites:

Coal

* Coal mine production statistics www.mining.state.co.us/Coal%20Reports.htm

* Coal mine permit applications

Red Cliff Coal Mine (Loma)

www.blm.gov/rmp/co/redcliffmine/documents.htm

Power Plants and Transmission

* High Plains Express Transmission Project

http://www.rmao.com/wtpp/HPX_Studies.html

* Bonanza II Utah

www.epa.gov/region8/air/permitting/deseret.html

* Desert Rock near Farmington NM

www.desertrockenergy.com/

www.epa.gov/region09/air/permit/desertrock/appl-info.html

Uranium

www.lm.doe.gov/land/sites/uranium_leasing/uranium_leasing.htm

Sodium (Nacholite)

www.naturalsoda.com/main.aspx

Federal Energy Corridor EIS

corridoreis.anl.gov/index.cfm

Pipelines

* Federal Energy Regulatory Commission www.ferc.gov/

* Rockies Express Pipeline

www.rexpipeline.com/

Railroads:

* Front Range by-pass studies <http://www.dot.state.co.us/RailroadStudy/default.asp>

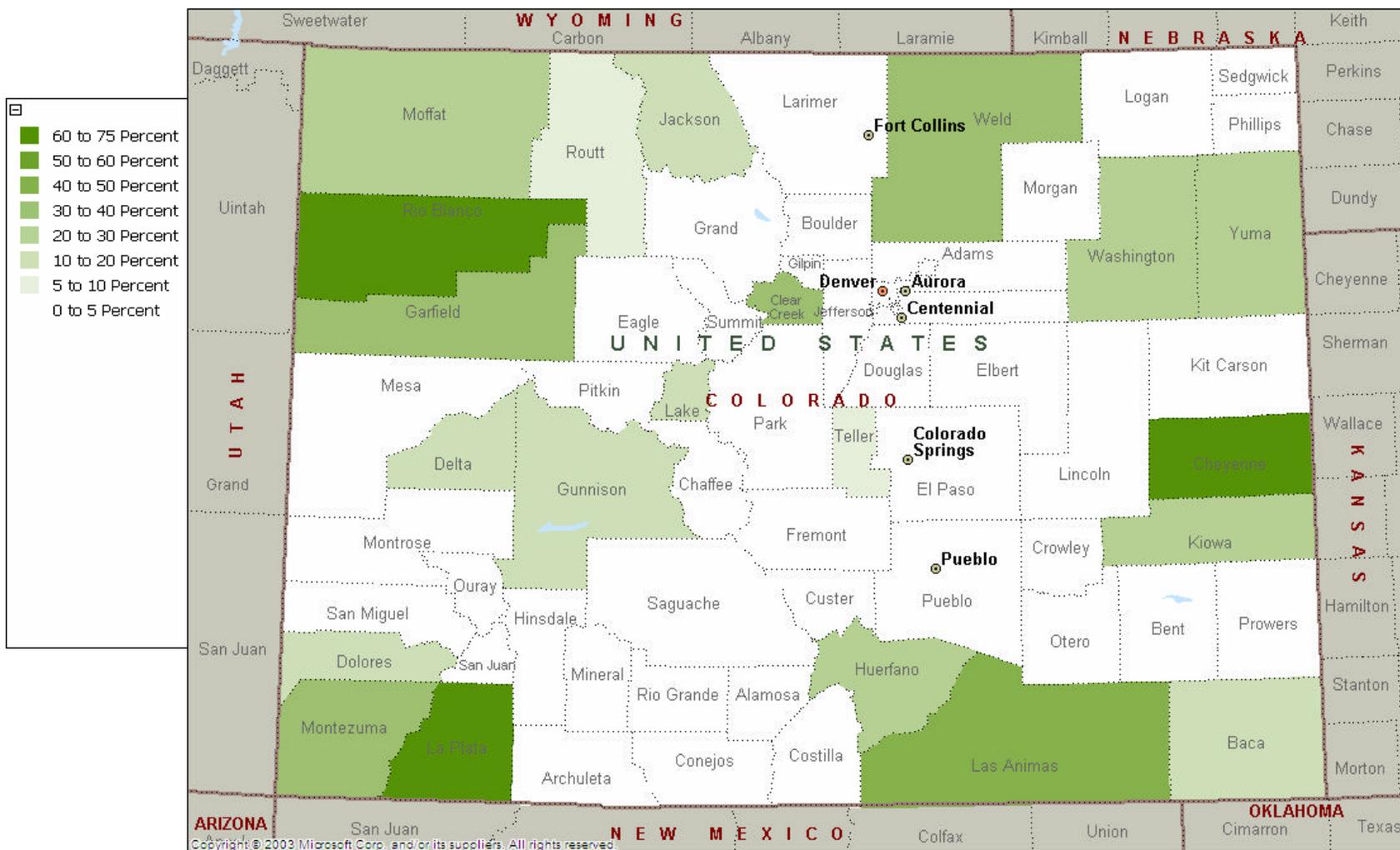
Energy and Mineral Project Impact Studies:

* Rand study on oil shale www.rand.org/pubs/monographs/2005/RAND_MG414.pdf

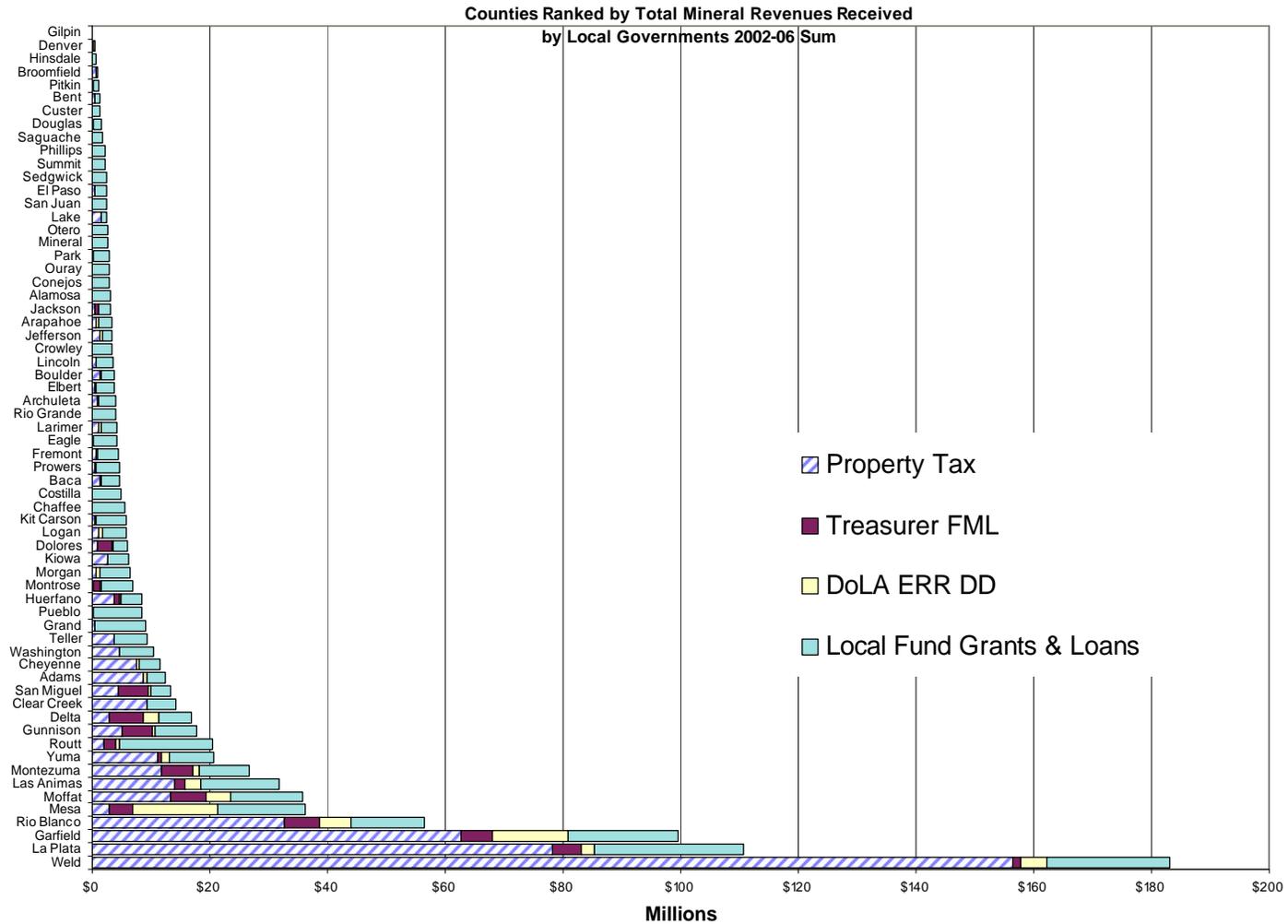
* La Plata County Oil and Gas Impact Study www.co.laplata.co.us/publications.htm

* Garfield County Impact Study www.garfield-county.com/home/index.asp?page=1027

One measure of where this production is occurring is the mineral based property tax revenue as a percent share of total property taxes in counties.

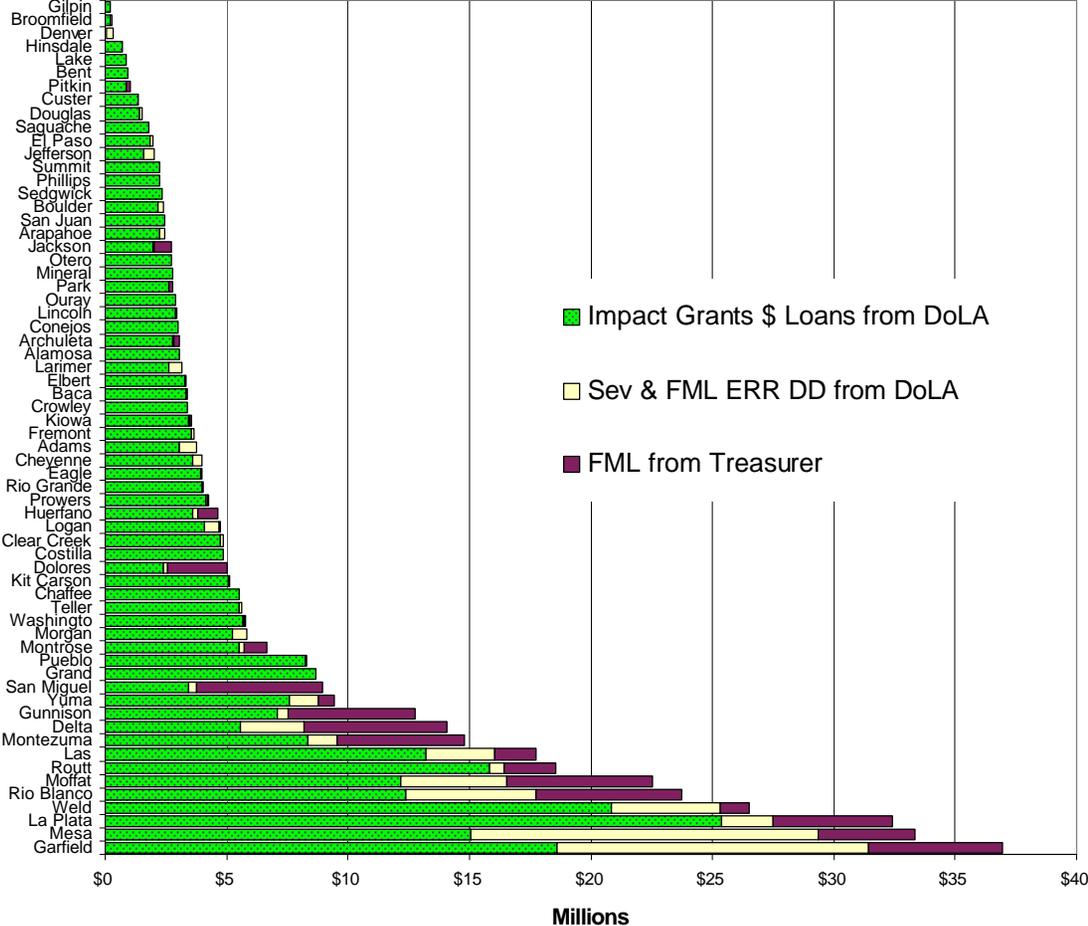


Mineral production generates significant revenue to local governments



The Current Impact Assistance Distributions to local governments

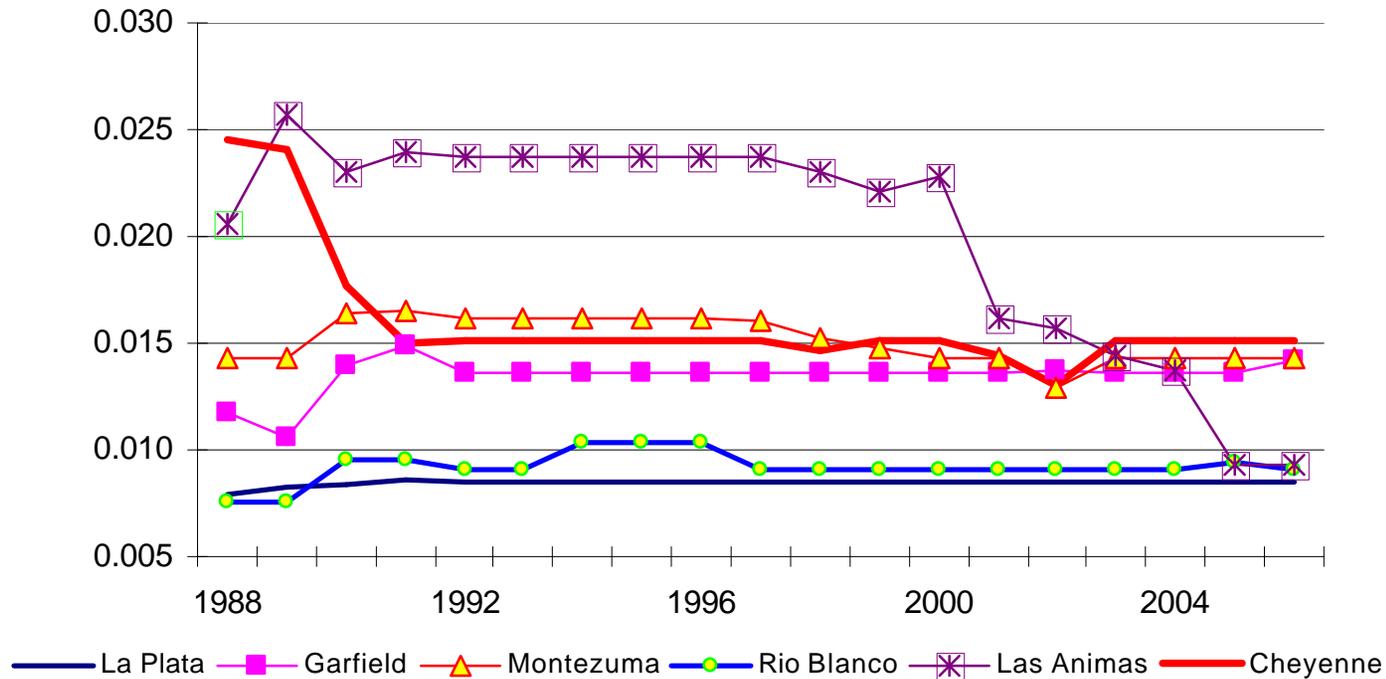
Counties Ranked by Severance and Federal Mineral Lease Received by Local Governments 2002-06 Sum



A large local control variable is the counties management of mill levy rates on the variable property tax base in mineral production areas.

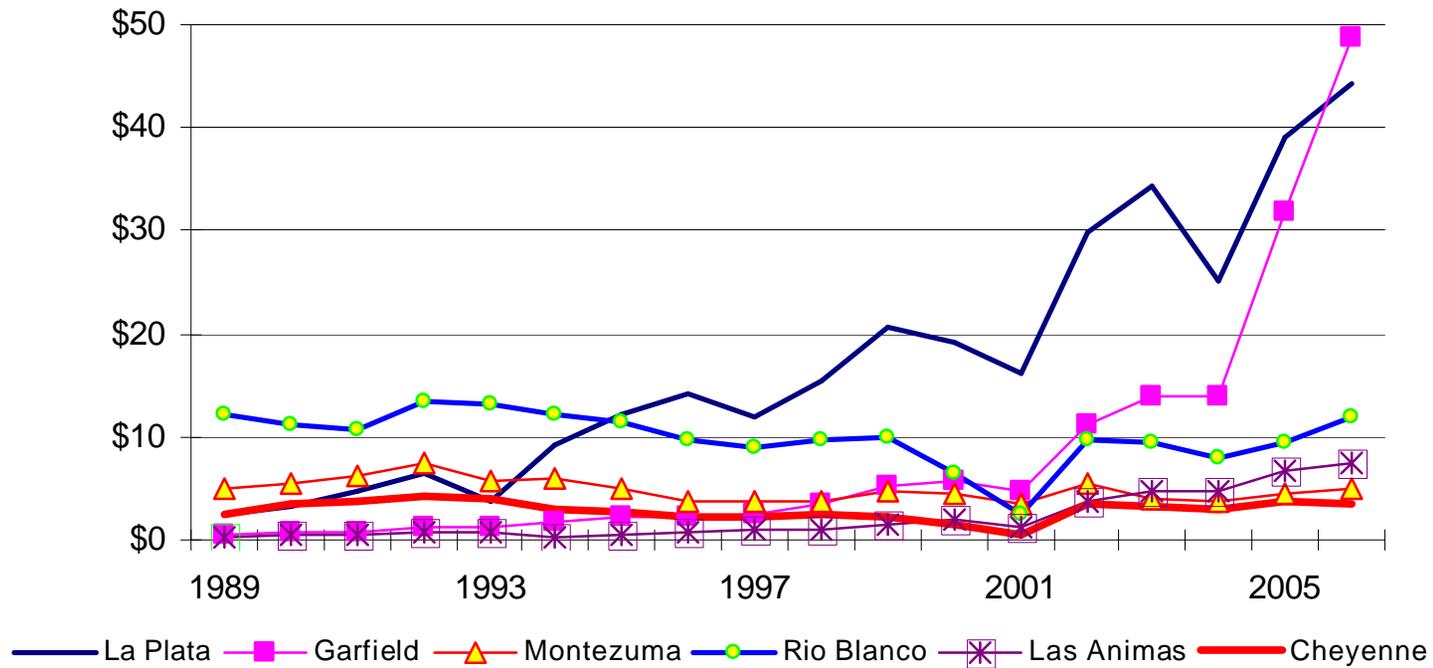
In these 6 counties mineral production is 70% of the total counties' assessed value.

County Effective Mill Rate in Selected Counties



Mineral production property tax revenues have increase substantially.

County Mineral Base Property Tax Revenue
in Selected Counties



Web Resources for More Discussion

http://www.dola.colorado.gov/LGS/FA/EIAF/slide_show.html

Energy and Mineral Impact Assistance

Background Papers on Public Revenue from Mineral Production in Colorado

The list below gives links to detailed information on public revenue from mineral production in Colorado.

1) **Mineral Revenues to the Public Sector in Colorado** a series of 38 graphic slides describing the history of mineral production in Colorado, the public revenues generated, and the distribution of these revenues to state and local governments. A text and table version of this information is available at Mineral Tables

RELATED INFORMATION LINKS:

Colorado Oil and Gas Conservation Commission: <http://oil-gas.state.co.us/>

U.S.Dept. Energy - Energy Info Administration: <http://www.eia.doe.gov/>

U.S.Dept Interior Mineral Management Service: <http://www.mrm.mms.gov/Stats/statsrm.htm>

Colorado Division of Property Taxation Annual Report: <http://www.dola.state.co.us/PropertyTax/Publications/PublisIntro.htm>

Colorado Department of Revenue Annual Report: http://www.revenue.state.co.us/Stats_Dir/wrap.asp?incl=taxstats

Colorado State Treasurer Payments to Local Governments: http://www.treasurer.state.co.us/transfers/fed_funds.html

Colorado Division of Mines Reports: <http://www.mining.state.co.us/DMG%20Reports.htm>

Colorado Geological Survey Report: http://geosurvey.state.co.us/portals/0/MMF_2004_small.pdf

2) **Severance Tax Revenue Projections Methods** a paper describing the economic dynamics of the state severance tax and methods to project state severance tax revenues into the future.

3) **Federal Mineral Lease Distributions in Colorado** a paper describing the statutory distribution of these funds to Colorado state and local governments with a table of figures and flow chart.

4) **Payment in Lieu of Taxes (PILT) program descriptions** Three programs with tax exempt lands make payments to local governments to off set lost local tax revenue.

5) **Why is Severance Tax so variable?** A two page brief with charts to explain the structural reasons why severance tax revenue to the state is so variable.



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